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ABSTRACT

This digest examines a completed pilot program in performance-driven budgeting (PDB) in the New York City public-school system. PDB links school-level budgeting and school planning; that is, decisions about resources must be aligned with school-developed instructional-improvement plans. The digest highlights how PDB came about; its primary goal; how it was operationalized; what major changes it brought at the central office and in pilot schools; and what has been learned from the New York experience. PDB was launched in 1997 in 61 pilot schools in 4 of New York's districts as a result of a study of a similar system successfully implemented in Edmonton, Alberta. The goal of the New York program was to provide local educators with more control and flexibility in using resources to improve student performance. The program was implemented with the help of the Galaxy 2000 computerized budgeting and financial management tool. Over time the central office greatly reduced its control over resources, and the pilot schools were free to match their allocations to the needs of their students. The Digest concludes that the pilot program confirmed that student achievement does improve when schools have increased control over resources and instructional planning. (Contains 11 references.) (WFA)

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ERIC DIGEST

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Performance-Driven Budgeting: The Example of New York City's Schools

By Dorothy Siegel

School-based planning for instructional improvement has been a major national education reform focus for more than two decades. School-based management, the idea of putting schools in charge of some of their own instructional operations, first emerged in the U.S. during the 1970s. However, most school-based management sites received only limited power over issues central to instructional improvement, and were rarely granted any autonomy in budgeting (Siegel and Fruchter 2002).

Two decades ago, districts across the country began to experiment with school-based budgeting. For example, in the mid-'80s, the Chicago Public Schools began allowing local schools to make a range of budgetary decisions, and Seattle schools began handling their own budgets in the late '90s. The idea was to allow the people who are closest to the classroom—primarily the principal, teachers, and parents—to decide how to spend their school's money. However, few districts explicitly linked control over budgeting to efforts to improve student and school performance (Lauber and Warden 1995). These efforts usually yielded greater discretion over mostly marginal expenditures, not greater autonomy.

In Canada, the Edmonton, Alberta, public-school system began an experiment in school-based planning in 1976. Today, approximately 92 percent of the revenue that the district has the discretion to allocate (or about 80 percent of the district's total budget) is "planned directly by the schools with input from staff, students, parents, and the community."

Performance Driven Budgeting (PDB), a 1997 initiative of then-Chancellor Rudolph Crew of the New York City public-school system, is modeled on the Edmonton experience. PDB explicitly links school-level budgeting and school planning; that is, decisions about resources must be aligned with school-developed instructional-improvement plans.

In 1997, New York University's Institute for Education and Social Policy began an independent three-and-a-half-year evaluation of the implementation of PDB's pilot phase at all three levels of the NYC school system: central office, community school district (hereafter "district"), and school (Siegel and Fruchter). A companion impact study assessed the effect of that pilot project on student test-score performance (Stiefel and others).

This Digest highlights how PDB came about; its primary goal; how it was operationalized; what major changes it brought at the central office and in pilot schools; and what has been learned from the experience in New York.

How Did PDB Originate?

In mid-1996, a planning team of key central-office administrators, district representatives, education researchers, school reformers, and teachers' union officials traveled to Edmonton, Alberta, to attend a conference on school-based budgeting, where they learned about Edmonton's decentralized school system. A few months later, Chancellor Crew articulated a vision of a performance-driven school system that "focuses its energies on the sole goal of improving performance in teaching and learning" by:

- Defining clear standards for student learning
- Identifying educational strategies for all students to meet these standards
- Aligning all resources, policies, and practices to carry out these strategies
- Tracking results
- Using the data to drive continuous improvement and holding the entire system accountable for student performance (Siegel and Fruchter)

The chancellor invited New York City's thirty-two semi-autonomous districts and schools to pilot PDB, a key component of a performance-driven system. Their task, Chancellor Crew explained, was to design and develop innovative strategies for eventual systemwide implementation, and to identify "legal, contractual, accepted practice, or other constraints which limit local flexibility and discretion over the use of resources."

While the districts were responding to the chancellor's invitation, a school governance law was passed in late 1996 that transferred control over those districts and their schools from local elected school boards to the chancellor, and simultaneously made school-based planning teams and school-based budgeting mandatory.

Chancellor Crew launched PDB in early 1997 in sixty-one pilot schools in four of New York City's districts. One year later, leadership of PDB was transferred from the central office to a Core Group of directors of operations, primarily from the participating districts. The Core Group's chief task was to develop Galaxy 2000, a new school-budgeting and financial-management system. By the 2002-03 school year, almost all elementary and middle schools and their districts were on the Galaxy system.

What Is the Goal of PDB?

PDB's goal, according to Crew, is to "provide local educators with increased control and flexibility over the use of resources so that they [can] engage in more creative program development, more effective problem solving, and more efficient use of resources to improve student performance."

Achieving this goal requires a systemic focus on improving classroom instruction. Decisions about improving instruction must be made at the school level, involve all school constituencies, and be supported by the district and the central office.

Further, Crew explained, making decisions at the school level necessitates redefining "relationships and decision-making authority so that decisions about the use of resources are directly linked to effective instructional strategies and improved student achievement."

How Was PDB Operationalized?

Implementing PDB in New York City was intended to be a fluid process. Each district was allowed to determine the broad priorities and level of flexibility for its schools, based on local conditions and preferences. The Galaxy 2000 computerized budgeting and financial management tool was designed to accommodate considerable variation from district to district and school to school.

When the central office gave its annual funding allocation to the districts in the late spring or summer, the PDB districts, in turn, allocated those funds to their

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schools. PDB schools were able to make many of their own instructional decisions, and budget accordingly, unlike other New York City elementary and middle schools, whose budgets were determined by their districts.

PDB schools aligned their budgets with comprehensive educational plans that their school-leadership teams had developed. Galaxy allowed the schools to see, budget, and manage all their money, both tax levy and reimbursable, for almost all personnel and nonpersonnel services. Purchases were made and paid for online, with expenses reflected immediately in the school's budget. PDB schools moved their money from category to category, and program to program, as students enrolled or left, as needs changed, as estimates proved inaccurate, and as allocated funds were cut or increased.

What Changes Were Involved at the Central Office and in Pilot Schools?

Over time, the central office began to move away from traditional forms of hierarchically mandated allocations, procedures, and operations toward a more flexible, user-friendly, response-driven support and provision system. By 2000, the central office had made major changes in its policies and practices. It:

- Transferred authority for instructional planning and budgeting decisions to the schools
- Established the school planning team as the key decision-making unit
- Created a framework and tools for school-based instructional planning built on analysis of student data
- Developed Galaxy 2000, a computerized budgeting and financial management system built on school planning decisions
- Began to develop the capacity to make this performance-driven system work

During this period, the central office introduced systemwide content and performance standards, a universal requirement for school and district instructional-improvement plans based on analysis of student data, a school self-assessment instrument, and a set of accountability tools focused on student achievement. It also published comprehensive school expenditure reports, made business practices more efficient, improved its technology and data systems, and installed School Leadership Teams with responsibility for planning and budgeting in every school.

The central office greatly increased the districts' control and flexibility over resources. It decentralized fiscal responsibility to the districts, using a differentiated approach to determine which districts were capable of more autonomous operation. The central office also decentralized some functions to the districts, increasing districts' and schools' control over system resources by more than 8 percent. Once operationalized, the Galaxy system drove change upward through the district and central fiscal systems.

Similarly, the PDB pilot schools were able to budget and spend their allocations with much greater flexibility, "matching dollars to needs," as one principal described it. With complicated funding rules and efficiency measures built into Galaxy, schools had the incentive, and the tool, to budget and spend wisely. Many became effective financial managers, combining multiple funding sources to split-fund staff; hiring staff full-time, part-time, per-session, and per-diem; and moving money effortlessly among a variety of personnel and nonpersonnel categories, activities, and programs, efficiently scraping together and reapplying scarce dollars to their instructional programs.

It is likely more could have been accomplished if some of the system's chronic problems had been addressed: a high turnover of teachers and principals, especially in high-needs districts; a high turnover of system leadership; inadequate and inequitable state funding; misallocation of teaching resources that results in the least qualified teachers serving the most needy students; and a state budget that has always arrived too late for efficient budgeting (Siegel and Fruchter).

What Has Been Learned and How Is PDB Faring Today?

In the pilot schools implementing PDB, the impact study found a small, but statistically significant, increase in student academic outcomes. Students in the sixty-one schools that adopted PDB had slightly higher test scores than their counterparts in their own districts and in the city as a whole (Viadero 2002). Schools that had greater control over their planning and budgeting did better academically than those that did not.

To improve student achievement, schools must have the capacity to plan, budget, and respond with agility to students' needs. This requires a tremendous commitment to developing those capacities at the school level by establishing a framework for school decision-making; training school personnel and parents in their decision-making, planning, and budgeting roles; and moving responsibility, personnel, and infrastructure to the schools to support it (Siegel and Fruchter).

Creating school-level capacity also requires replacing a hierarchical instruction and budgeting system with a school-level decision-making system that integrates schools and their districts through reciprocal accountability mechanisms.

For now, at least, the PDB experiment has come to an end. New York City's current mayor is recentralizing the school system after seeking and being granted more control over the schools in mid-2002 by the state legislature. He and the new chancellor plan to eliminate local districts and their staffs, bifurcate instructional and operational functions, and institute a standard curriculum throughout the city.

Even so, the PDB pilot program survived long enough to confirm its core hypothesis: Student achievement does improve when schools have significant control over their resources and instructional planning. The lessons learned from the PDB experiment in New York City Schools can help to pave the way for other districts that want to make the transition to performance-driven budgeting.

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